

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

TRADE POLICY STAFF COMMITTEE

CERTAIN STEEL PRODUCTS

INVESTIGATION NO. TA-201-73

EXCLUSION REQUEST

ON BEHALF OF

BHP STEEL (AIS) PTY, LTD., BHP STEEL (JLA) PTY, LTD.,

BHP NEW ZEALAND STEEL LIMITED,

BHP STEEL AMERICAS, INC. AND

MSC PINOLE POINT STEEL, INC.

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On behalf of BHP Steel (AIS) PTY, Ltd., BHP Steel (JLA) PTY, Ltd., BHP New Zealand Steel Ltd., BHP Steel Americas, Inc. (collectively "BHP") and MSC Pinole Point Steel, Inc. ("Pinole"), we request exclusion of cold-rolled full hard coil for hot-dipped galvanizing sheet from any import relief ordered by the President in the Section 201 investigation of *Certain Steel Products*. In accordance with the guidelines established by the Office of the United States Trade Representative¹, we submit the following information in support of our exclusion request.

I. EXECUTIVE SUMMARY

Cold-rolled full hard coil for hot-dipped galvanizing sheet should be excluded from any import relief ordered by the President in this investigation because, as the experience of Pinole demonstrates, the domestic commercial supply of this product is insufficient to satisfy West Coast commercial demand. A West Coast producer of galvanized sheet, Pinole must import approximately half of its consumption of cold-rolled full hard for galvanizing sheet because USS-Posco Industries ("UPI") -- the only significant and consistent supplier of this product on the West Coast -- has a limited commercial supply capability, and because eastern mills historically have not provided this product to Pinole on a consistent basis. Furthermore, U.S. mills cannot produce the superior cold-rolled full hard used in pre-painted and light gauge full hard that foreign producers, such as BHP, can produce. The dearth of cold-rolled full hard coil available in the West Coast steel market warrants exclusion of the product.

¹ See 66 Fed. Reg. 54,321, 54,322-23 (Oct. 26, 2001).

II. PRODUCT INFORMATION

A. Commercial Name of Product and HTS Numbers

1. **Commercial Name:** Full hard cold-rolled coil for hot-dipped galvanizing sheet.
2. **HTS Classification:** 7209.18.1560, 7209.17.0090, and 7209.16.0090.

B. Physical Description of Product

Cold-rolled full hard is a non-annealed product designed as the basic input for hot dipped galvanized sheet. It must be less than 0.13 inch in thickness and between 27 and 57 inches in width. (For thicknesses less than or equal to 0.017 inch, there must zero edge wave.) It must have a light matte (30-80 AA) surface finish and a carbide structure suitable for lock forming after galvanizing. We request exclusion of the defined cold-rolled full hard that is imported by Pinole through the ports of Richmond and Oakland, California.

C. Basis for Exclusion

1. **Statutory Basis for Exclusion**

The statutory framework governing Escape Clause actions requires the President to balance the economic welfare of the country with that of the affected industry in determining appropriate remedial action in response to an affirmative injury finding by the International Trade Commission. Section 203(a) of the Trade Act of 1974 states that, upon receiving the Commission's report, the President shall take "all appropriate and feasible action within his power which the President determines will facilitate efforts by the domestic industry to make a positive adjustment to import competition *and provide greater economic and social benefits than costs.*"² Among other things, the President must consider "the short- and long-term economic

² 19 U.S.C. § 2253(a)(1) (emphasis added).

and social costs of the actions authorized . . . relative to their short- and long-term social benefits and other considerations relative to the position of the domestic industry in the United States economy.”³ The President must also consider “other factors related to the national economic interest of the United States, including, but not limited to . . . the effect of the implementation of actions . . . on consumers and on competition in domestic markets.”⁴ Ultimately, the cumulative impact of any import restrictions imposed may not “exceed the amount necessary to prevent or remedy the serious injury” found.⁵

Where there is inadequate domestic production of a product consumed in the United States, restricting imports of the product will harm domestic consumers without providing any concomitant benefit to the domestic steel industry. Domestic production that is inadequate to meet consumption needs is therefore a proper ground for excluding a product from import relief.

2. Factual Basis for Exclusion

Cold-rolled full hard for hot-dipped galvanizing sheet should be excluded from any import relief ordered by the President because the available domestic supply of this product is insufficient to meet the needs of an important domestic consumer. One of the five West Coast steel mills, Pinole -- which produces hot-dipped galvanized steel -- must import cold-rolled full hard -- its crucial feedstock -- because it has not been able to satisfy its consumption needs through U.S. producers and because certain high quality and light gauge full hard is not available from U.S. producers.⁶

Unlike the other three West Coast producers of hot-dipped galvanized sheet -- California Steel Industries (“CSI”), UPI, and Steelscape, Inc. -- Pinole does not internally produce, and

³ *Id.* § 2253(a)(2)(E).

⁴ *Id.* § 2253(a)(2)(F)(ii).

⁵ *Id.* § 2253(e)(2).

⁶ *See* Hearing (Remedy) Tr. at 294-95 (Testimony of David Catterlin, President of Pinole Point Steel).

therefore must purchase, cold-rolled full hard from unrelated suppliers.⁷ During the period of investigation, Pinole produced between 250,000-320,000 tons of galvanized steel per year. UPI was Pinole's largest source of full hard, supplying it with 100,000-200,000 tons annually. UPI will not supply more because of its own internal demand for full hard.

In the last two years, UPI has reduced its supply of cold-rolled full hard to Pinole. Because UPI was short of hot band inputs from its own parent companies -- POSCO and United States Steel -- during the first half of 2000, UPI put Pinole on allocation and ultimately provided only 80,000 to 90,000 short tons in 2000. In May 2001, UPI had a major fire in its cold-rolling mill. As a result, UPI has ceased producing cold-rolled coil -- including full hard -- and will not resume commercial production until at least February 2002.

As a result of UPI's limited supply capabilities, Pinole must acquire approximately 150,000-200,000 short tons of cold-rolled full hard for hot-dipped galvanizing sheet from other sources, and ultimately must turn to imports to satisfy this shortfall. Other West Coast steel manufacturers are not a viable source of supply: CSI and Steelscape only occasionally have an excess supply, while Oregon Steel Mills, Inc. and Geneva Steel do not manufacture the product. Nor have eastern mills provided a consistent supply of cold-rolled full hard for hot-dipped galvanizing sheet. Although Pinole purchased 20,000 tons of this product from National Steel Corporation after the fire in UPI's mill, it is doubtful that National Steel will become a long-term supplier because historically eastern mills have lacked any interest in doing so. Moreover, the freight cost of transporting steel to the West Coast from east of the Rocky Mountains significantly increases the cost of the eastern mills' product. Unable to satisfy its consumption

⁷ The other three produce their own full hard; CSI purchases steel slab as its starting input while UPI and Steelscape buy hot-rolled band for their starting input.

needs on the domestic market, Pinole regularly turns to BHP and Corus (Netherlands) to make up the domestic shortfall of cold-rolled full hard.

Apart from generic cold-rolled full hard, BHP and Corus supply Pinole with certain specialty cold-rolled full hard that is unavailable from domestic mills. Pinole makes approximately 65,000 tons of pre-painted galvanized sheet annually. Unlike other galvanized sheet, pre-painted sheet must be made from a higher quality full hard that has superior surface finish and shape. As one of the world leaders in pre-painted galvanized sheet production, BHP is uniquely qualified to supply the necessary full hard coils for pre-paint galvanized sheet. Pinole also produces some light gauge galvanized sheet requiring full hard substrate less than 0.014 inches in thickness. Because UPI won't sell such thin gauge full hard to Pinole, Pinole must buy these coils from BHP and Corus.

Despite its efforts, Pinole has simply not been able to satisfy its demand for standard or specialty cold-rolled full hard through domestic producers. Accordingly, this product should be excluded from any import relief ordered by the President in this investigation.

D. Names and Locations of Foreign and Domestic Producers⁸

- 1. Foreign Producers:** BHP (Australia); Corus (Netherlands); Dong-bu (South Korea).
- 2. Domestic Producers:** UPI; National Steel Corp.; United States Steel LLC; Weirton Steel Corp.; Bethlehem Steel Corp.; LTV Steel Co., Inc.

⁸ The list of foreign and domestic producers is non-exhaustive and is limited to major producers.

E. U.S. Non-Captive Consumption⁹

*Actual Consumption by Pinole*¹⁰

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Jan-June 2000</u>	<u>Jan-June 2001</u>
Quantity (ST)	[267,050	234,000	302,400	357,000	257,600	170,500	120,900]

During the period of investigation, Galv-tech, Nex-tech, and Metal-tech consumed approximately 900,000 tons/year. During 1996-1997, BHP Coated Steel Corporation's facilities on the West Coast consumed approximately 150,000 - 200,000 tons/year.

Projected Consumption by Pinole

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Quantity (ST)	[288,900	320,000	322,000	384,200	341,400]

F. Total U.S. Production

Unknown.¹¹

G. U.S. Produced Substitutes

There is no U.S. produced substitute for the cold-rolled full hard for hot-dipped galvanizing sheet that Pinole has been unable to acquire in sufficient quantities in the domestic market, or for the specialty cold-rolled full hard Pinole purchases from BHP and Corus.

⁹ We are unable to provide data on total U.S. consumption.

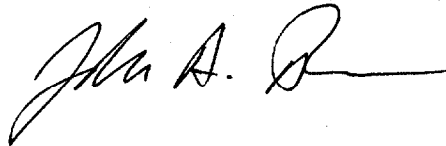
¹⁰ Quantities of actual and projected consumption have been estimated by Pinole. The consumption quantities (actual and projected) reported in this public version have been summarized by ranging.

¹¹ Because a significant amount of cold-rolled full hard is internally consumed, we are unable to estimate total U.S. production.

III. CONCLUSION

Because domestic producers cannot satisfy Pinole's demand for cold-rolled full hard for hot-dipped galvanizing sheet, it should be excluded from any import relief ordered by the President in this investigation.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "John D. Greenwald", with a long horizontal flourish extending to the right.

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